

# **LABOUR MARKET POLICY INTERVENTIONS SEPTEMBER 2012 – JANUARY 2014**

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# SERVICES<sup>1</sup>

## 1. Labour market policy services

### A) Services of the National Employment Service

New tasks related to support and subsidies were assigned to labour centres. Labour centre branch offices have been in charge of the housing subsidy introduced as of 1 October 2012. Since 1 April 2013 branch offices have registered requests for subsidies submitted by working age citizens.

A number of services have become accessible electronically: requests for unemployment benefits, registration, reporting changes, meeting obligations for regular check-ins, or requests from employers for new labour demand. Applicants must also turn up in person in the case of the first two services, with no effect whatsoever on the eligibility period which commences on the date of filing the request for subsidies or registering in the electronic system.

As part of the development of information services, a new web-application has been opened for unemployed people and employers (at: <http://vmp.munka.hu>) to facilitate interaction between labour supply and demand. At the time of finalizing the present study 14,785 new job openings and 40,436 CVs are registered in the electronic system.

On-line accessibility  
of services

### B) Further activities of the National Employment Service

The service-related tasks of labour centres have been extended to providing for labour market services and operating the institutional background thereof. Labour centre branch offices are involved in this task in the geographical area where they operate.

*Major regulations:* Government Decree 323/2011. (XII. 28.) on the roles and responsibilities of the National Labour Office and the bodies directed and professionally supervised by it; Ministerial Decree 30/2000. (IX. 15.) issued by the Minister for the Economy on labour market services and related subsidies.

*New regulations:* Government Decree 7/2013. (I. 18.) amending Government Decrees related to the Government decree stipulating the detailed rules of market supervision activities; Ministerial Decree 44/2012. (XII. 22.) issued by the Minister for the Economy on the roles and responsibilities of the la-

<sup>1</sup> The present section was elaborated on the basis of the Eurostat *Labour Market Policy* (LMP) database and the LABREF database of the Directorate General for Economic and Financial Affairs (DG ECFIN). Interventions are listed along the same ordinal numbers (see *Busch, Cseres-Gergely and Neumann*, 2013, p. 277).

bour centre branch offices of the district-level (in Budapest: city district-level) branches of the Budapest and County Government Offices.

*On-line source:* <http://munka.hu>.

## ACTIVE LABOUR MARKET POLICIES (ALMPS)

### 2. Training

*New legal background  
in adult training*

The reform of vocational education as of 1 January 2012 has been followed by the renewal of the legal background of adult training. The new law, which has been in force since 1 September 2013, aims at higher quality expectations by stipulating administrative rules for the official licensing of adult training activities, the general requirements for specific training programmes, as well as the support framework and the supervision of institutions. Tasks related to the licensing procedure and the supervision and registration of licensed training institutions are performed by the National Labour Office.

The financing system of vocational education has become more regulated. The decentralized funds available for training and the development of the training system have been divided into two equal parts. Half of the funds are used to finance the costs related to the development of the physical infrastructure of school-based vocational education, while the other half is used for the operational costs of vocational educational institutions and the modernization of vocational education. The calls for applications for grants are implemented by the state vocational education and adult training body, financed from the funds available, up to 1% of the total amount.

*Changes in the rules  
regulating vocational  
contribution*

A specific percentage of the financing plans governing the Training Subfund of the Labour Market Fund is allocated to finance further tasks. As of 1 January 2013 the range of legal entities obliged by law to pay a financial contribution to vocational training has been extended to companies established or owned in part by higher educational institutions. As of 1 September 2012 companies can fulfil the obligation for a financial contribution to vocational training by organizing practical training in training locations outside institutions and by signing student employment contracts with students taking part in basic training with a mandatory practical training element.

As of 1 January 2013 companies can allocate their vocational training contribution to the professional training or language courses offered to their own employees provided that the company offers practical training places for at least 45 students having a student employment contract. The amount of vocational training contribution can be accounted for up to the amount covered by student employment contracts, to a maximum of 16.5 per cent of the gross amount of the obligation. The training of the company's own employees is

considered as state aid to the company. The extent of state aid is 60 per cent of the eligible costs for general training and 25 per cent for special training. As regards general training the extent may be increased to 80 per cent if the employees participating in the training are disabled or disadvantaged people, or the aid is used by a micro, small or middle-sized enterprise.

The rules regulating requests for return on extra payments have also changed. Regulations differ on the basis of the share of student employment contracts as compared to the share of cooperation agreements within the overall amount of the obligation.

*Major regulations:* Act IV of 1991 (Section 14) on promoting employment and unemployment benefits; Act CLV of 2011 on contributions to vocational education and promoting the development of training; Act CLXXXVII of 2011 on vocational education; Government Decree 280/2011. (XII. 20.) on the amounts of practical training normative support and the calculation of amounts subject to reductions which can be accounted for as the cost of practical training incurred as vocational education contribution; Government Decree 150/2012. (VII. 6.) on the National Register of Qualifications and the procedure of its amendment; Ministerial Decree 27/2012. (VII. 27.) issued by the Minister for the Economy on the professional and exam requirements for qualifications in the responsibility of the Minister for the Economy.

Ministerial Decree 6/1996. (VII. 16.) issued by the Minister of Labour on financial support promoting employment and on tackling employment crisis situations from the Labour Market Fund; Ministerial Decree 3/2011. (II. 11.) issued by the Minister of Public Administration and Justice on the management and tasks of the regional training centres in charge of adult training and coordinating action tackling regional disparities.

*New regulations:* Act CLXXVIII of 2012 amending specific acts on taxation and related acts; Act LXXVII on adult training; Government Decree 314/2013. (VIII. 28.) on vocational education agreements; Government Decree 393/2013. (XI. 12.) on the detailed regulations stipulating the licensing procedure and requirements to be met, the registration and the system of checks concerning adult training institutions Ministerial Decree 21/2013. (VI. 18.) issued by the Minister for the Economy for companies implementing practical training on accounting for the cost of training the company's own employees as vocational education contribution.

### **3. Job rotation and job sharing**

The only tool referred to this category is still the reduced rates related to part-time employment introduced as of January 2011. The social contribution tax introduced on 1 January 2012 is subject to the same conditions and works

in the same manner. Its extent is 7 per cent of either the gross salaries of the two employees added together, or, as a maximum, double the minimum wage.

*Major regulations:* Act CXXIII of 2004 on promoting the employment of career starters, unemployed people over the age of 50 and those seeking employment after parental leave or taking care of a family member, and employment with an internship (Section 8/B).

#### 4. Employment incentives

Important changes have occurred in the field of employment incentives, mainly introduced as part of the Job Protection Act. These changes are meant to promote the employment of young people below the age of 25, people over the age of 55, the permanently unemployed, employees having small children and employees working in jobs requiring no vocational qualifications through reduced rates of the social contribution tax and the vocational education contribution. Reduced rates can be effected for both those already employed and those just recruited.

Depending on the target group of employees, the rates of employers' public dues can be reduced either fully or in part, to an extent of 14.5 per cent. Reductions can be effected in any case only up to a HUF 100 thousand (approx. EUR 323) part of a gross salary.<sup>2</sup>

As part of the Job Protection Act the following rates can be effected for the specific target groups:

- *Career starters below the age of 25* (where career starter means a person having been employed and having paid social security contributions for a maximum of 180 days): in the first two years of employment – up to the amount of a gross salary of HUF 100 thousand (approx. EUR 323) – the rate of social contribution tax is reduced by 27 percentage points and the vocational education contribution by 1.5 percentage points, which means no tax burden at all up to the amount of a gross salary of HUF 100 thousand (approx. EUR 323).
- *Employees below the age of 25 and over the age of 55:* the rate of social contribution tax to be paid by the employer is reduced by 14.5 percentage points of the gross salary up to a HUF 100 thousand (approx. EUR 323) part per month.
- *Permanently unemployed people* (i.e. those registered as unemployed people for at least 6 months in a period of 9 months prior to entering employment): in the first two years of employment – up to a HUF 100 thousand (approx.

<sup>2</sup> We use an exchange rate of 1 EUR = 310 HUF throughout the chapter.

EUR 323) part of a gross salary – the rate of social contribution tax is reduced by 27 percentage points and the vocational education contribution by 1.5 percentage points. In the third year of employment the rate of social contribution tax to be paid by the employer is reduced by 14.5 percentage points of the gross salary up to a HUF 100 thousand (approx. EUR 323) part per month.

- *Persons receiving or having received child-care allowances, child-care benefits or child-care support:* the rates are the same as those for permanently unemployed people and can be effected for up to the 45th month after the termination of the unemployment benefit, for a maximum of 3 years. The action plan has been changed as of 1 January 2014 to allow for a longer tax credit period for employees returning from a parental leave and having three or more children. In the first three years of employment the employer will be fully exempt from paying the social contribution tax, and in the following two years the rate will be reduced by 14.5 percentage points.
- *Employees working in jobs requiring no vocational qualifications* (i.e. jobs listed in group no. 9 in the unified system of occupations called FEOR, issued in 2008 by the Central Statistical Office): the rules to be applied for tax credits are identical with those applicable for employees below the age of 25 and over the age of 55.

The measures listed above have replaced the most important tools applied in this field over recent years in the framework of the so called Start programmes. The opportunity for applying for the so called Start cards has been terminated, while the tax credits can be effected for a while for already issued and still valid cards. Tax credits can be effected until 31 December 2014 for Start cards issued to young career-starters, and could be effected until 31 December 2013 for Start Extra, Start Plus and Start Bonus cards.

*Start cards phasing out*

As of the 1 January 2013 the so called free enterprise zones have been operational to promote the development of the most deprived regions. The label is valid for 5 years and can be prolonged. Employers installing investment worth at least HUF 100 million (approx. EUR 322,581) and increasing the statistical number of staff simultaneously are entitled to a tax credit. When employing new employees in the territory of the free enterprise zones the rate of social contribution tax payable after the HUF 100 thousand (approx. EUR 323) part of a gross salary per month is reduced by 27 percentage points in the first two years and by 14.5 percentage points in the third year of employment. As for the vocational education contribution the 1.5 percentage points tax credit can be effected for the first two years of employment up to the amount of HUF 100 thousand (approx. EUR 323) per month, which means full exemption for the first two years up to a HUF 100 thousand (approx. EUR 323) part of a gross salary. The tax credit can be effected for 5 years as of the date of instalment.

*Establishment of the free enterprise zones*

*Wage compensation  
also in 2013*

The tax credits counter-balancing the changes regulating the personal income tax levels and compensating for the expected level of pay-rise were introduced in 2012. Despite the fact that the tax system did not change for the worse as regards net salaries, tax credits could be still effected to a lesser extent, regardless of whether employers made the pay-rise expected. Tax credits in the private sector have been terminated as of 2014, and can be effected only by employers in the public sector.

The new incentives presented above must not be effected simultaneously. Besides the still existing Start Extra, Start Plus and Start Bonus cards however, the support aimed at the preservation of the net value of salaries is still accessible.

*Programme entitled  
“First job guarantee”*

The programme entitled “First workplace guarantee” started in 2012 and has continued ever since – throughout 2013 and 2014. The programme finances the whole salary and the related tax burden of permanently unemployed people and those below the age of 25 with no qualifications up to 150% of the mandatory minimum wage. As opposed to 2012 which had no such obligation, now the six-month subsidized period must be followed by a three-month period of further employment. During the period of further employment the tax credits payable in the framework of the Job Protection Act may be effected.

*Budget support for  
employment with  
an internship*

A further incentive for employing young career starters, unemployed people over the age of 50 and those seeking employment after parental leave or taking care of a family member is subsidizing employment with an internship. The subsidy may be effected to the extent of 50% of the allowance disbursed to those employed with a contract including an internship by central state administration bodies or their affiliated local bodies. The subsidy, however, may not exceed 80% of the smallest amount of basic salary disbursed to full-time employees. A pre-condition for applying for the subsidy is that the employer should employ employees with an internship to a number exceeding 1.5% of the total staff. The subsidy was attainable in the first half of 2013.

*Major regulations:* Act IV of 1991 on promoting employment and unemployment benefits; Act CXXIII of 2004 on promoting the employment of career starters, unemployed people over the age of 50 and those seeking employment after parental leave or taking care of a family member, and employment with an internship; Government Decree 69/2012. (IV. 6.) amending the Government Decree on the subsidies available for preserving the net value of salaries and on the amount of pay-rise expected in 2012 to preserve the net value of salaries and the amounts of fringe benefits to be considered; Ministerial Decree 6/1996. (VII. 16.) issued by the Minister of Labour on financial support promoting employment and on tackling employment crisis situations from the Labour Market Fund (Sections 11 and 18).



*New regulations:* Act CXLVI of 2012 amending specific acts necessary to implement the Job Protection Act; Act CLXXVIII of 2012 amending specific acts on taxation and related acts; Act CCXVI of 2012 amending specific acts on employment in relation to the Magyar Simplification Programme and other objectives; Act CCXXIV of 2013 amending specific acts in relation to the modification of child-care allowances and to the extension of tax credits concerning the social contribution tax; Government Decree 388/2012. (XII. 19.) on the subsidies to be applied for by central state administration bodies or their affiliated local bodies as employers of employees with a contract including an internship; Government Decree 27/2013. (II. 12.) on the establishment and operation of free enterprise zones and the rules stipulating tax credits.

## 5. Sheltered employment and vocational rehabilitation

The regulations stipulating the accreditation procedure and the system of central budget subsidies for sheltered employers employing disabled people (in Hungarian terminology: people with a changed working capacity) have changed. The rules must be applied for requests submitted as of 17 December 2012 and the subsidies disbursed beyond 1 January 2013.

Instead of the former types of basic, rehabilitation, principal and conditional accreditation certificates, from now on only one type of certificate can be obtained. The eligibility criteria unite the characteristic features of the former types, therefore the conditions for obtaining the certificate are in some cases stricter. For accreditation the employer is required to employ a staff of 30 disabled people, or employ a quarter of the total number of employees from this group. Further conditions are that the employer:

- should have a professional programme for vocational rehabilitation;
- undertakes to elaborate personal vocational rehabilitation plans;
- provides for the necessary assisting services;
- employs a vocational rehabilitation mentor, a counsellor and an assistant;
- facilitates employment in job openings where a qualification is required;
- provides for the training opportunities necessary for successful vocational rehabilitation.

The latter provision was formerly in effect only for obtaining a principal certificate necessary to qualify as a sheltered employer. What is made easier, however, is the provision in the new regulation concerning the amount of time spent in operation, which may now be less than the 12 months expected formerly.

The tasks of the former rehabilitation trustee will be taken over by a vocational rehabilitation mentor and a vocational rehabilitation counsellor. The provisions for assistants have also become stricter, depending on the number of employees with a changed working capacity. At the same time the obliga-

*The system of rehabilitation accreditation certificates became simpler*

*The procedure of accreditation*

tion of employers with a principal certificate to operate a three-member vocational rehabilitation committee has been abolished.

Accreditation is performed by the National Office for Rehabilitation and Social Affairs, and the office has the license to involve an expert and perform on-the-spot checks during the accreditation procedure. A simplified accreditation procedure may be applied if the employer was accredited within the year when the regulation entered into force and as a result of which the accreditation certificate remained valid for one more year. The same rule applies to employers with a principal certificate and accredited as a sheltered employer after 1 January 2011. The fee of the accreditation procedure has also changed. The rehabilitation accreditation certificate has an open-ended validity period. The former validity period for the basic accreditation certificate was five years, for the rehabilitation certificate three years, for the principal certificate two years and for the conditional certificate it was one year, respectively.

The National Office for Rehabilitation and Social Affairs is in charge of checking for compliance with the provisions of accreditation and whether subsidies are used appropriately. Evaluation scores are negative if the check reveals non compliance with the legal regulation, and the rehabilitation accreditation certificate is withdrawn if negative scores amount to 12.

*Permanent and transit employment*

Following the introduction of the system of comprehensive qualification the employability and classification of disabled people changed. As a result, the definition of permanent employment means the sheltered employment of persons with health impairment below the level of 60% and whose vocational rehabilitation is not recommended on the basis of external factors and not on the basis of their health status – regardless of the kind of assistance that their rehabilitation would necessitate, be it permanent or on-going assistance. These people are employed for three years and their contract can be prolonged without limitations.

Transitional employment means the employment of disabled people whose health impairment is below the level of 60% and whose vocational rehabilitation is recommended both on the basis of their health status and their external circumstances (including those who might also need permanent rehabilitation). The aim of transitional employment is the preparation of individuals for employment in the open labour market. The vocational rehabilitation professional programme must therefore comprise an action plan presenting the stages of transition and cooperation with employers in the open labour market. The contract of employment is for three years. Transitional employment is considered successful if the employee is employed without interruption for a period of at least six months in the open labour market.

*Support for employers changed*

In line with the change of certificates and forms of employment the system of subsidies also changed. The old type cost compensation subsidies and rehabilitation subsidies were disbursed until 31 December 2012.

From this time on only salary costs (salaries and employers' taxes) incurred by the employment of people with a changed working capacity and extra costs closely related to their changed working capacity are eligible for financing from the central state budget. Salary costs may be subsidized up to 75%. The amount of subsidy might reach 100% for NGOs and public benefit organizations such as associations, foundations or non-profit companies. Extra costs may be subsidized up to 100%. The individual amount of subsidy for the transitional employment of a person with a changed working capacity is decreased gradually, year by year: it is 100% of the individual subsidy in the first year, then 90% and finally 80%.

Only accredited employers are eligible – after submitting an application – for subsidies on salaries and extra costs. Subsidies are disbursed on the basis of three-year framework contracts signed by the National Office for Rehabilitation and Social Affairs and the employer. The contract can be prolonged each year for the period of one year. Beyond that, individual employment agreements must be signed for each employee.

From September to October 2013 accredited employers had the opportunity for one month to submit an application for adapting the workplace environment for vocational rehabilitation purposes within a one-year period. The condition for being eligible for the job creation subsidy was to sustain the new or the adapted workplace for a period of two years commencing after the 90th day following the investment, and to recruit and employ a number of people with a changed working capacity, as specified in the contract on job creation.

Further incentives for employing people with a changed working capacity are the tax credits deducted by using the so called rehabilitation card, exemption from the rehabilitation contribution and a set of programmes financed from EU-funds in the framework of the Social Renewal Operational Programme (SROP, called TÁMOP in Hungarian). The programmes aiming at the promotion of the employment of people with a changed working capacity are entitled “Promoting the vocational rehabilitation and employment of people with a changed working capacity” (no. 1.1.1-12/1-2012-0001), “Transitional employment in the construction industry” (no. 1.4.6-13/1), “Supporting employers in providing motivational training and related services to enhance the labour market opportunities of the most disadvantaged groups” (no. 5.3.8.A2-12/1).

*Major regulations:* Act CXCI of 2011 on the allowances of people with a changed working capacity and the amendment of specific acts; Government Decree 327/2011. (XII. 29.) on the procedural rules related to the allowances of people with a changed working capacity; Government Decree 95/2012. (V. 15.) on the National Office for Rehabilitation and Social Affairs and on

the roles and responsibilities of the bodies under its professional supervision; Ministerial Decree 7/2012. (II. 14.) of the Ministry of National Resources on the detailed rules related to comprehensive qualification; Ministerial Decree 8/2012. (II. 21.) of the Ministry of National Resources on vocational rehabilitation experts.

*New regulations:* Government Decree 238/2012. (VIII. 30.) amending Government Decree 177/2005. (IX. 2.) on the central budget subsidies for the employment of people with a changed working capacity; Government Decree 317/2012. (XI. 13.) amending specific Government Decrees on social affairs, child well-being and child protection services; Government Decree 327/2012. (XI. 16.) on the accreditation of employers of people with a changed working capacity and on the central budget subsidies for the employment of people with a changed working capacity; Government Decree 335/2013. (IX. 20.) amending Government Decree 112/2006. (V. 12.) on licensing social employment and Government Decree 327/2012. (XI. 16.) on the accreditation of employers of people with a changed working capacity and on the central budget subsidies for the employment of people with a changed working capacity; Ministerial Decree 38/2012. (XI. 16.) of the Ministry of Human Resources on the rules governing the fees to be paid for the accreditation procedure by the employer of people with a changed working capacity.

## **6. Direct job creation**

In Hungary public works programmes, listed among ALMPs, are still the most important measures.. In the period observed its operation is more or less the same as previously, and the aim of the most important changes has been the promotion and extension of the tool. Public works model programmes could be launched up to 1 July 2014 in seven areas in cases defined as model programmes by the Minister of the Interior. The costs of these programmes are reimbursed to the extent of 70 to 100% by the central state budget.

After the closure of the public works model programmes which are deemed successful, further programmes can be launched based on the same idea. Investment and material costs of such programmes can be reimbursed to the extent of 50 to 100% by the central state budget, based on a decision by the Minister of the Interior. The condition for subsidies as of November 2013 has been that the public works employer must reinvest the income generated by the public works model programme into further financing the public works programmes or the operation of social cooperatives.

The extension of the implementation of public works programmes has been promoted by the National Fund of Land by a transfer of certain pieces of land for five years of free use to the local governments involved in public works programmes.

The types of settlements where public works programmes may be launched has been extended. The definition of the small region which has a special importance in public works programmes has been settled: small regions where half of the settlements have a special importance in public works programmes are considered especially important.

As of January 2013 public works require an expert's opinion on employability. Beyond 1 September 2013 unemployed people may be excluded from public works programmes either if they are subject to a procedure investigating or proving a default of their school-age child, or if they fail to meet obligations concerning the tidiness of their living environment as specified by local government decrees. It is the responsibility of the labour centre's branch office to issue a formal decision on the exclusion from the programme.

Between December 2013 and April 2014, both public works and training were available in the framework of the wintertime public works programmes. Programmes were mainly targeted at the development of core competences and offer a catch-up training for grades 7 to 8 of the primary school. Participants received payment during training on the basis of the six hours a day spent in training. The number of participants was around 50 thousand. As a result of the wintertime public works programme the number of people involved in public works programmes increased from 88 thousand to 203 thousand, a large gain compared to the same month in the previous year.

As of 1 January 2014 the yearly amount of contracted work in public works programmes must not exceed 11 months for a single person. This rule can be overridden only by permission from the minister in charge of public works programmes for cost-efficiency considerations and without risking people's chances of getting admitted to the public works programme.

*Major regulations:* Act CVI of 2011 on public works and amending acts related to public works and other acts; Act I of 2012 on the Labour Code, Government Decree 375/2010. (XII. 31.) on the subsidies related to public works programmes; Government Decree 170/2011. (VIII. 24.) on setting the wage for public works and the guaranteed minimum wage for public works.

*New regulations:* Act XLI of 2013 amending specific acts in relation to social cooperatives and in relation to public works; Government Decree 85/2013. (III. 21.) amending specific Government Decrees in relation to public works.

Government Decree 382/2013. (XI. 4.) amending Government Decree 375/2010. (XII. 31.) on the subsidies related to public works programmes; Ministerial Decree 41/2012. (XII. 20) of the Ministry for the Economy amending specific Ministerial Decrees on health in employment; Government Decision 1141/2013. (III. 21.) amending Government Decision 1044/2013. (II. 5.) in relation to decisions concerning public works programmes; Government Decision 1142/2013. (III. 21.) to transfer certain

pieces of land by the National Fund of Land for free use to the local governments to implement public works programmes; Government Decision 1624/2013. (IX. 5.) to prepare for the implementation of training related to public works programmes.

## **7. Start-up incentives**

The system of subsidies promoting entrepreneurship for unemployed people and coordinated by the labour centres did not change significantly in 2013.

As of November 2013 funding for starting micro enterprises became available in the framework of the Social Renewal Operational Programme call for proposals entitled “Promoting entrepreneurship for young people in the convergence regions” (no. 2.3.6/B). Young people between the ages of 18–35 successfully accomplishing their tasks in project no. TÁMOP 2.3.6/A and who have elaborated their business plans become entitled to a non-refundable grant. The envisaged budget of the programme is HUF 5 billion (approx. EUR 16,129 thousand), co-financed by the European Social Fund and the central state budget. 90% of the costs incurred in the course of launching an enterprise can be reimbursed by using the grant.

As of 1 January 2014 the former condition of eligibility for the subsidies promoting entrepreneurship for unemployed people was reduced from three months to one month spent on the register for unemployed people.

*Major regulations:* Act IV of 1991 on promoting employment and unemployment benefits (Section 17); Ministerial Decree 6/1996. (VII. 16.) issued by the Minister of Labour on financial support promoting employment and on tackling employment crisis situations from the Labour Market Fund (Section 10). *New regulations:* Ministerial Decree 66/2013. (XII. 23.) of the Ministry for the Economy amending specific labour-related Ministerial Decrees.

*On-line source:* <http://www.nfu.hu/doc/3581>.

## **SUBSIDIES**

### **8. Subsidies and support for the unemployed (job-seekers)**

The characteristic features of the system of subsidies and the conditions of access to these subsidies did not change over the period observed. The maximum amounts of subsidies at the end of the period are calculated as a percentage of the minimum wage, as shown in *Table 1*. The minimum amount of old age pension did not change, so the extent of the employment substitution subsidy (in Hungarian: foglalkoztatást helyettesítő támogatás) also remained the same.



**Table 1: The amount of subsidies paid to unemployed people and working age unemployed people on 1 January 2014**

Type of subsidy	Amount of subsidy
Unemployment insurance	60% of the total of social security contributions on the basis of which the contribution payable to the Labour Market Fund is calculated, maximized at 100% of the minimum wage in effect on the first day of eligibility, which is HUF 101,500 (approx. EUR 327) per month, HUF 3,383 (approx. EUR 10.9) per day;
Unemployment benefit prior to old age pension	40% of the minimum wage, which is HUF 40,600 (approx. EUR 131) per month, HUF 1,353 (approx. EUR 4.4) per day;
Employment substitution subsidy	80% of the all-time minimum amount of old age pension: HUF 22,800 (approx. EUR 74) per month
Regular social benefit	The amount depends on the income-level of the family, a maximum amount of HUF 45,568 (approx. EUR 147) per month, or a maximum of HUF 22,768 (approx. EUR 73) per month if a family member receives an employment substitution subsidy.

As of 1 April 2013 regular social benefits must not be disbursed during the period of participation in a public works programme, although the person's income from a public works programme is not taken into account upon the calculation and revision of the amount of regular social benefits.

With these changes the rules regulating public works programmes became identical with the rules applied on regular social benefits and the employment substitution subsidy.

*Changes of regular social benefits in relation to public works programmes*

*Major regulations:* Act IV of 1991 on promoting employment and unemployment benefits; Act III of 1993 on social administration and social benefits (Section 25).

*New regulations:* Act XXVII of 2013 amending acts on social affairs and child-protection in relation to the Simplification Programme and other acts.

## 9. Early retirement

As of 1 January 2012 early retirement is not an option. Instead of the pensions previously awarded below the age threshold for old age pensions, eligible persons receive a subsidy preceding old age pensions, without further rights that old age pensioners have.

## COMPREHENSIVE INTERVENTIONS (COMPREHENSIVE PROGRAMMES)

The Social Renewal Operational Programme remains the most important comprehensive programme during the period. The modifications of the action

*Extension of the range  
of participants*

plans approved for the years 2011–2013 were mainly related to the funds allocated to the individual programmes. The funds allocated to the measure entitled “Supporting training at the workplace” (no. 2.1.3) increased significantly.

Within the “Decentralized programmes for the employment of disadvantaged groups” (no. 1.1.2.) and the “Programme for the employment of disadvantaged groups in the region of Central Hungary” (no. 1.1.4.) the groups of eligible participants were extended to persons receiving child-care allowances, child-care benefits or child-care support provided that they had no paid work, and also to young people below the age of 25 no longer registered as unemployed as of 1 October 2012 only because they are involved in labour market services. Eligible costs were also extended in the programme to finance housing support and support promoting entrepreneurship.

*Major regulations:* Government Decree 132/2009. (VI. 19.) on the types of support eligible in the framework of the programmes entitled “Decentralized programmes for the employment of disadvantaged groups” (no. 1.1.2.) and “Promoting the vocational rehabilitation and employment of people with a changed working capacity” (no. 1.1.1) in Priority 1 of the Social Renewal Operational Programme; Government Decree 175/2010. (V. 13.) on the types of support eligible in the framework of the programme entitled “Programme for the employment of disadvantaged groups in the region of Central Hungary” (no. 1.1.4.).

*New regulations:* Government Decree 272/2012. (IX. 28.) amending specific Government Decrees on employment; Government Decision 1527/2012. (XI. 28.) on the approval of Priority 1 of the action plans for the years 2011–2013 related to Priority 1 of the Social Renewal Operational Programme and on the modifications related to the funds allocated to the individual programmes; Government Decision 1016/2013. (I. 18.) on the approval of Priority 1 of the action plans for the years 2011–2013 of the Social Renewal Operational Programme and of individual calls for proposals.

## **POLICY TOOLS WITH AN EFFECT ON THE LABOUR MARKET**

### **10. System of taxes and social security contributions**

The major changes in the system of taxes were manifested in changes related to employees’ income tax burden and the new taxation opportunities introduced as part of the Job Protection Act for small and medium-sized enterprises.

In the system of personal income tax the 27% gross-up factor added previously to the tax base in the case of incomes above HUF 2,424 thousand (approx. EUR 7,819) per year was abolished. As a result, the system of per-

*Changes with an effect  
on the net salary*



sonal income tax became a one-key system with a unified tax rate of 16%. As compared to the personal income tax rules in effect in 2012 this change resulted in the decrease of the tax rate for people with an income above HUF 2,424,000 (approx. EUR 7,819) per year, while the change had no effect on those with an income below this threshold. In 2014 the personal income tax rules in effect in 2013 remain.

The rules concerning family tax credits did not change in 2013. As of 1 January 2014, besides tax credits, family-level credits on social security contributions may also be effected, in other words, the amounts deductible as per the number of children can be effected by reducing either the personal income tax or social security (pensions- and health-care) contributions.

A further change with an effect on the net income is the termination of the upper ceiling of the social security contribution to pensions whose base amount in 2012 was HUF 7,942,200 (EUR 25,620). Thus for people with an income above this amount the payable social security contribution to pensions, the rate of which is 10% of the tax base, significantly increased.

The amount of social security contribution to health-care increased in 2013 to HUF 6,660 (approx. EUR 21) per month, HUF 222 (approx. EUR 0.72) per day, and in 2014 to HUF 6,810 (approx. EUR 22) per month and HUF 227 (approx. EUR 0.73) per day.

The elements of fringe benefits are identical with the former ones. The amount of employers' contribution to health-care payable after income taxed separately increased from the former 10% to 14% in 2013.

The Job Protection Act introduced new taxation opportunities for small and medium-sized enterprises, targeting the improvement of tax conditions. The first time the new forms of taxation could be selected was in 2013.

The tax for small taxpayers (in Hungarian: KATA) can be selected by entrepreneurs, individual businesses and small enterprises owned exclusively by individuals. The small taxpayer enterprise is required to pay a rate of HUF 50 thousand (approx. EUR 161) per month for each full-time contracted small taxpayer employees and a rate of HUF 25 thousand (approx. EUR 81) per month for each non-full-time contracted small taxpayer employees. If the enterprise has a contracted employee who is not considered a small taxpayer, the regular tax rates apply. Beyond that, a tax rate of 40% is to be applied above the amount of HUF 6 million (approx. EUR 19,355) per year.

Another new type of tax is the small enterprise tax (in Hungarian: KIVA), which can be selected by individual businesses and small enterprises, limited liability companies, public limited companies and cooperatives if the number of employees stays below 25 and the income and balance sheet total below HUF 500 million (approx. EUR 1,613 thousand) in the given tax year. The tax base for those applying the small enterprise tax is calculated by adding together the cash income and the personnel costs, and the related tax rate is 16%.

*Tax for small taxpayers  
and small enterprise tax*

By applying this type of tax enterprises are exempt from paying the corporate tax, the social contribution tax and the vocational education contribution.

As regards the tax for small taxpayers the administrative burden of enterprises is significantly reduced. Since the rate is fixed below the amount of HUF 6 million (approx. EUR 19,355) per year, the enterprises that operate at low costs and whose income stays below this amount can save on tax-paying liabilities by applying this type of tax.

The small enterprise tax aims primarily at the increase of employment, since the amounts of contributions payable after employees are significantly lower by applying this type of tax.

*Major regulations:* Act CXVII of 1995 on the personal income tax; Act LXXXI of 1996 on the corporate tax and the tax on dividends; Act LXXXI of 1997 on social security pensions; Act XCII of 2003 on the procedures of taxation; Act CXX of 2005 on the simplified contributions concerning public dues; Act CXXVII of 2007 on the value-added tax; Act LXXV of 2010 on simplified employment.

*New regulations:* Act CXLVII of 2012 on the tax for small taxpayers and the small enterprise tax; Act CLXXVIII of 2012 amending specific acts on taxation and related acts.

*On-line source:* <http://www.nav.gov.hu/>.

## 11. Other transfers

### Child-care benefits

The child-care benefits available in 2013 are characterized by the content of Table 5 by *Busch and Cseres-Gergely* (2012).

As of 15 July 2013 social security child-care benefits are calculated solely on the basis of the income received from the employer from whom the employee takes parental leave. For a transitional period the amount of benefit must be calculated in both the old and the new way for children born before 11 May 2014, and the bigger amount must be disbursed.

As of 1 January 2014 a number of new rules came into effect to motivate people to have children and in favour of the improvement of the labour market situation of parents with small children. Persons receiving child-care allowances or child-care benefits are free to enter employment after their child is one year old. People having more children – provided that the younger child was born after 1 January 2014 – are entitled to a child-care benefit for each child below the age of three. Persons having an active full-time student status are entitled – within one year after pausing or terminating their status – to a child-care allowance which is available also to persons studying in higher edu-

*Changes in calculating maternity benefits and child-care allowances*

cation, regardless of whether they are in employment or not. The base of the benefit is the guaranteed minimum wage for persons studying for a master's degree, and the minimum wage for persons studying for a bachelor degree.

*Major regulations:* Act LXXX of 1997 on the eligibility rules concerning social security benefits and private pensions, and the financial cover of these services; Act LXXXIII of 1997 on the services of mandatory health insurance; Act LXXXIV of 1998 on the support for families; Government Decree 328/2011. (XII. 29.) on the fees payable for basic child-care well-being services and professional child protection services and the evidence acceptable when applying for such services.

*New regulations:* Act CXXVII of 2013 amending specific acts on health-care and health insurance and related acts; Act CCXXIV of 2013 amending specific acts related to the modifications of child-care benefits and to the extension of the range of exemption from paying the social contribution tax.

## 12. Contractual terms of employment, labour law

The new Labour Code, which was in effect from 1 July 2012, comprised a number of stipulations which came into effect only later, on 1 January 2013. On forms of employment different from contractual agreements, the rules concerning leave and disbursements during permanent leave of absence see in detail *Busch, Cseres-Gergely and Neumann* (2013). The Labour Code is analyzed in detail in the section entitled *In Focus* in the present yearbook.

The first amendments of the new Labour Code are primarily corrections based on the arguments of the Court of Justice of the European Union related to labour law. As of 1 August 2013 the rules stipulating holidays were also corrected. The conditions of entitlement for fathers' five-day extra holidays were amended to include people with a health-impairment of at least 50% and people entitled to disabled subsidies or to blind people's personal allowances. The five-day paternity leave means five full days, even if the employment contract was signed in the same year. From this point on only holidays calculated on the basis of the employee's age are allowed to be transferred up to the end of the following year, in contrast to previous rules allowing for a transfer of one third of the regular holidays and the extra days calculated on the basis of the employee's age.

The method of calculating remuneration for leave and other allowances was corrected. Thus the amount of salary is not subject to change depending on the month the holiday is taken. On calculating remuneration for leave, extra allowances for Sunday work must be taken into account if the employee spent their work time with scheduled work on at least one third of the Sundays in the period in question.

*The new Labour Code  
coming into effect  
– the last step and the  
first amendment*

*Major regulations:* Act LXXV of 2010 on simplified employment; Act I of 2012 on the Labour Code.

*New regulations:* Act CIII of 2013 amending specific acts in relation to the calculation of remuneration for leave and the regulation of public funds.

### **13. Old age and disability pensions – disability subsidies**

Retirement prior to the statutory pension age was abolished as of 1 January 2012, but entitlement can be obtained for the new type of allowances up to 31 December 2014 on the basis of the old rules applied before the changes in the system.

As of 1 January 2013 the amounts of old age pensions are calculated in the same gradually decreasing way as in 2012. It has been changed, however, so that instead of regulations in decrees the law itself specifies the limits of decrease. As a consequence of the former termination of the cap on social security contribution, it is now payable without maximum.

*In the public sector  
one must choose between  
old age pension  
and employment*

An important change relates to those retiring from the public sector, inasmuch as the disbursement of pensions is temporarily paused as of 1 July 2013 for those employed in the public sector on 1 January 2013, with no effect on their status as old age pensioners whatsoever. Due to the labour demand of the public health-care system, however, public service employees and government civil servants who are considered health-care employees may be exempted from this rule. Public service employees remaining in employment – with a license – in health-care are entitled to extra income the net amount of which must not exceed the amount of old age pension to which they are entitled and which they do not receive temporarily by reason of being in employment. After three years their legal status must be authorized again.

Employers operating from central budget funds may apply for financing of the extra income.

#### **Disability pensions – disability subsidies**

The amounts of rehabilitation and disability subsidies must be calculated on the basis of a changed rule as of 1 January 2013. The essence of this rule is that the subsidy may be calculated – instead of the minimum wage – on the basis of the period of 180 days immediately preceding the period of 180 days which forms the basis of calculation if the entitled person has no income in the whole period due to an accident or received decreased amounts as payments on sick leave.

Rehabilitation subsidies are temporarily paused if the entitled person is employed and earns an income, participates in a public works programme by working more than 20 hours a week, or is unable to earn an income. In any of these cases the subsidy must be reduced in the following month by the

amount disbursed for the period of temporary pause. The deduction must not exceed 50% of the rehabilitation subsidy. Tasks related to the calculations are performed by the Central Administration of National Pension Insurance.

As of 1 January 2014 the condition of entitlement to subsidies for disabled people became less constrained. Entitlement is obtained by proving the payment of social security contributions for 1,095 days in five years, or, if this is not feasible, the payment of social security contributions for 2,555 days in ten years or 3,650 days in 15 years, which are also accepted.

*Major regulations:* Act LXXXI of 1997 on social security pensions; Act CXCI of 2011 on the allowances of people with a changed working capacity and the amendment of specific acts; Government Decree 327/2011. (XII. 29.) on the procedural rules related to the allowances of people with a changed working capacity.

*New regulations:* Act CCVIII of 2012 on the amendment of specific acts related to the establishment of the act on the central budget and to other objectives; Act CCXXV of 2013 amending Act CXCI of 2011 on the allowances of people with a changed working capacity and the amendment of specific acts; Government Decision 1150/2013. (III. 22.) on the implementation in the public health sector of Government Decision 1700/2012. (XII. 29.) on the pension policy principles to be applied in the public sector; Government Decision 1599/2013. (IX. 3.) on the implementation in education and vocational education of Government Decision 1700/2012. (XII. 29.) on the pension policy principles to be applied in the public sector.

#### **14. Wage bargaining, wage regulation and interest representation**

As of 1 January 2013 the types of set minimum wages were differentiated by introducing the minimum wage and wage minimum to be paid to workgroup leaders employed in public works programmes. In a job requiring no vocational qualification or secondary school qualification the monthly minimum wage in 2013 was HUF 83,050 (approx. EUR 268), while the guaranteed wage of a workgroup leader working in a job requiring a vocational qualification or secondary school qualification was HUF 106,480 (approx. EUR 343). In 2014 the amounts increased to HUF 101,500 (approx. EUR 327) and HUF 118,000 (approx. EUR 381) respectively. The types and amounts of minimum wages currently in effect are summarized in *Table 2*.

The system of wages also changed for those employed in public works programmes. The former system of weekly wages was replaced by the disbursement of monthly salaries as of 1 April 2013. In specified sectors employers had the opportunity also in 2013 to receive financial support from the labour

*Regulation of the wage minimum to be paid to workgroup leaders employed in public works programmes*

centres to compensate for the increase in the minimum wages. Employers may apply for such support for employees employed on 31 December 2012 and whose salary remained below the relevant minimum wage set as of 2013. The maximum amount of support is the sum total of the amounts calculated on the basis of the difference between the minimum wages set for each year, including employers' taxes. Employees financed from other sources of support are not eligible for this support.

**Table 2: Amounts of minimum wages on 1 January 2014 (HUF/day)**

	Minimum wage	Guaranteed wage minimum
Regular	4,510	5,250
Employed in a public works programme	3,560	4,568
Workgroup leader employed in a public works programme	3,820	4,900
Simplified employment	3,834	4,568

*Major regulations:* Act XCIII of 2011 on the National Economic and Social Council; Government Decree 170/2011. (VII. 24.) on setting the minimum wage and the guaranteed wage minimum to be applied in public works programmes.

*New regulations:* Government Decree 390/2012. (XII. 20.) on setting the mandatory minimum wage and the guaranteed wage minimum; Government Decree 421/2012. (XII. 29.) amending specific Government Decrees in relation to public works programmes; Government Decree 103/2013. (IV. 5.) on the financial support to compensate for the increase in the mandatory minimum wage and the guaranteed wage minimum by employers operating in specific sectors and on the amendment of Government Decree 323/2011. (XII. 28.) on the roles and responsibilities of the National Labour Office and the bodies directed and professionally supervised by it; Government Decree 483/2013. (XII. 17.) on setting the mandatory minimum wage and the guaranteed wage minimum; Government Decree 496/2013. (XII. 29.) on the amendment of Government Decree 170/2011. (VII. 24.) on setting the mandatory minimum wage and the guaranteed wage minimum to be applied in public works programmes.

## **15. Measures related to migration and mobility**

### *Supporting mobility*

In order to facilitate mobility by financial means, housing subsidies are disbursed to persons entering at least 20 hours of employment for six months after three months of registered unemployment and whose permanent address and place of work are located at least 100 kilometres apart, or for whom the amount of time spent commuting would reach six hours a day. As of 6 June



2013 the conditions of support became less constrained. The time limit spent commuting was reduced to five hours and another condition set for eligibility was abolished, namely the condition that the new place of work must not be the same as the former place of work. The condition that the employer must be the same remains unchanged. As of 6 June 2013 the duration of registered unemployment is not checked in the case of unemployed people laid off in mass redundancies and those entering public works programmes. Support may be disbursed to career-starters as well, with no modification of the conditions which are irrelevant in their case.

A further condition of support is that the monthly salary must not exceed three times the minimum wage. The request for support must be made prior to employment, however, as of 6 June 2013 this request may be made within 30 days after the starting date of employment.

In the case of rentals the housing support can be used to pay rents and overheads. The duration of support is a maximum of 18 months and its amount was set at HUF 100 thousand (approx. EUR 323) for the first six months, HUF 60 thousand (approx. EUR 194) for the second six, and HUF 40 thousand (approx. EUR 129) afterwards. In the case of more entitled persons the housing support may be increased. As of 6 June 2013 the maximum limits of support are divided into thirds.

The conditions of issuing work permits for citizens from third countries were loosened. Reporting labour demand and submitting a request for a work permit to the labour centre can be done simultaneously. As regards work permits that are valid for more than one county, it is possible to include counties where an appropriate labour force is not available. Considering multiple requests for work permits, these can be issued in a number equalling the shortage of an appropriate labour force in the register.

Work permits must be prolonged without checks, if the request was reported 15 days prior to the expiry date.

The rules of rejection changed, too. If an employer was penalized for employing people without a permit, but failed to pay the fine to the National Employment Fund, the issue of work permits to such an employer could formerly be rejected for three years. This duration has now been reduced to one year. The request for a work permit can be rejected if the employer offers payment to a third country employee at an amount below 80% of the national average in the relevant job, or, if the employer submits fake or forged documents as proof of qualifications and of schools attended.

The duration of permits for agricultural seasonal work increased from 150 to 180 days. For employment contracts below the duration of 60 days permits must be issued without checking the labour market situation.

As of 1 January 2014 the issue of work permits for citizens from third countries can be made on the basis of united and non-united request procedures.

*Changing conditions  
of work permits*

*Changes of the procedure  
of requesting work permits*

On the basis of a united request procedure the employee has the opportunity to obtain a residence permit allowing for both staying in the country and entering employment. The immigration authority makes a decision on the request on the basis of the official opinion of the labour centre operating in the area where the employer is based. After the issue of the permit the employer and the citizen from a third country sign a preliminary agreement establishing a legal relationship aimed at employment for a period of a maximum of two years. Exceptions are the residence permits issued for family reunification (valid for a maximum of five years), requests for the EU blue card (valid for a maximum of four years) and humanitarian residence permits (valid for a maximum of six months, one or three years, depending on the cause of issue).

The practical arrangements for non-united request procedures are identical with the procedure followed formerly. The cases when united request procedures are not required are regulated in detail.

*Major regulations:* Act IV of 1991 on promoting employment and unemployment benefits; Government Decree 39/1998. (III. 4.) on support aimed at the reduction of burdens related to commuting to work, and on the support of labour force recruitment; Government Decree 355/2007. (XII. 23.) on the transitional rules related to the free movement of the labour force applied by the Republic of Hungary for persons having the right to free movement and residing in the country; Government Decree 355/2009. (XII. 30.) on the rules regulating the employment of citizens from third countries without a work permit in the territory of the Republic of Hungary; Government Decree 168/2011. (VIII. 24.) on the rules regulating the official opinion of the labour centre of the county (capital) government office on the issue of the EU blue card, and on the amendment of specific Government Decrees on migration and other Government Decrees; Ministerial Decree 16/2010. (V. 13.) of the Ministry of Social Affairs and Labour on the regulation of the procedure of issuing a work permit to citizens from third countries to be employed in Hungary.

*New regulations:* Act CLXXXIX of 2013 amending specific acts on employment; Government Decree 272/2012. (IX. 28.) amending specific Government Decrees on employment; Government Decree 167/2013. (V. 29.) amending Government Decree 39/1998. (III. 4.) on support aimed at the reduction of burdens related to commuting to work, and on the support of labour force recruitment; Government Decree 445/2013. (XI. 28.) on the issue of work permits for citizens from third countries on the basis of non-united request procedures, on the exemptions from the obligation for obtaining a work permit; on the tasks of the labour centre of the county (capital) government office on the issue of an opinion as an official authority in the united procedure, on reporting the employment of citizens from third countries who can be employed without a work permit in Hungary, and the reimbursement of re-



munerations; Ministerial Decree 35/2012. (XII. 14.) of the Ministry for the Economy amending specific Ministerial Decrees on employment.

## 16. The institutions of management, financing and evaluation of employment policy

By 2013 the transformation of the institutional system of employment policy had basically ended by the establishment of government offices, the shortening of the period of passive unemployment benefits, the transformation of the former National Employment Service and the focus on public works programmes.

The Minister for National Economy enforced in a Ministerial Decree the rules of managing and using the National Employment Fund. The tasks of planning the allocations of the Fund and setting the central and decentralized budgets and the independent allocations provided to the government office labour centres belong to the Minister responsible for employment policy. The professional and financial activities of the county labour centres are supervised by the National Labour Office. The National Labour Office is also in charge of coordinating the employment and related programmes financed from EU funds and other foreign funds.

The financing structure of the National Employment Fund did not change considerably. The number of separate allocations within the National Employment Fund increased by the amount of support available for increasing the mandatory minimum wages. The government allocated HUF 3.7 billion (approx. EUR 11,935 thousand) in the framework of the Social Renewal Operational Programme to the National Labour Office to enhance the efficiency of labour inspection, and HUF 6 billion (approx. EUR 19,355 thousand) in the framework of the Social Infrastructure Operational Programme to improve the infrastructural circumstances of the services and to increase the capacities of the public employment service, and also to install the facilities necessary to perform the new tasks of the service.

Developments throughout the year are related primarily to the EU-funded programmes and to the continuation of former policy action. Especially important is the transformation related to the infrastructure of implementation and evaluation of EU-funded programmes, which also forms a basis for future programmes.

The implementation of EU-funded programmes were supervised until the end of 2013 by the individual managing authorities of the National Development Agency, while the evaluation of programmes was performed by the relevant department of the National Development Agency by involving external experts.

As of 1 January 2014 the situation changed. The managing authorities were integrated in line ministries and the task of evaluation was transferred, among

*National Employment Fund*

*European Union Funds and their infrastructure*

other central tasks, to the Prime Minister's Office. The change in the status of the managing authorities has no major effect in the programming period ending in 2013, since their major task is to implement current programmes till their conclusion, without launching new calls for proposals. It is particularly true for the major employment policy programmes implemented under the Social Renewal Operational Programme, whose coordinator, the Human Resource Programmes Managing Authority, was integrated into the Ministry of Human Resources. The influence of these changes will be manifested in the next programming period when the management of EU-funded programmes will be close to policy-making. An advantage of this arrangement could be better coordination between national and EU-funded measures, while it is a potential risk that professional and political decisions become more closely linked and generate overlaps.

The elaboration of the documents of the 2014–2020 programming period was simultaneous with the transformation of the institutional set-up. Among these we must mention the so called partnership agreement, to be signed between the EU and Hungary as a member state, which will be the basis for the individual operational programmes and the related action plans. The support schemes that serve the implementation of the employment policy will belong to the Economic Development and Innovation Operational Programme. Although the new period starts in 2014, the new programmes and action plans will not be settled before the middle of the year, and the first calls for proposal are therefore not expected before the end of the year. The new programmes will reveal the emphatic areas of intervention in employment policy.

*The priorities of  
employment policy*

The importance of employment policy programmes and the changes of their importance are shown by the data derived from the source of financing. The starting point is again the National Employment Fund (the former Labour Market Fund). *Table 3* shows the income and the disbursement sides of the Fund in the structure used beyond 2011, with some add-ups and extensions, and occasional renaming of elements.

The government formed in 2010 accomplished the change of the structure of employment policy in two stages – in 2011 and 2012, and later reinforced the changed structure. The employment policy budget in 2010 was determined by two major items: passive unemployment benefits and the extended public works programme entitled “Road to work”, organized by local governments. The first item accounted for HUF 137 billion (approx. EUR 441,935 thousand) and the latter for HUF 101 billion (approx. EUR 325,806 thousand) in the labour market budget of HUF 389 billion (approx. EUR 1,254,839 thousand) (2010 final report on the state budget and State Audit Office of Hungary, 2013). In 2011 a major change commenced. Except for vocational education, almost all items were heavily reduced, and the total amounts were reduced by some 25%. With the reorganization of the tasks of labour

**Table 3: Income and expenditure related to employment policy in the central state budget 2011–2014 (in million HUF)**

	2011		2012		2013	2014
	allocated	disbursed	allocated	disbursed	allocated <sup>c</sup>	allocated
<b>Expenditure</b>						
1. Active measures						
Employment and training subsidies	40,519.8	25,774.8	25,600.0	22,017.2	27,000.0	27,000.0
EU co-financing for employability (and adaptability)	4,820.7	3,970.7	6,967.0	6,967.0	16,279.6	17,130.0
Public works programmes <sup>a</sup>	64,000.0	59,799.8	132,182.5	131,910.7	179,897.8	183,805.3
Social Renewal Operational Programme (SROP, TÁMOP), Measure 1.1. Employment services and assistance	30,925.2	19,754.4	37,900.0	29,772.3	35,000.0	41,000.0
Social Renewal Operational Programme (SROP, TÁMOP), Measure 1.2. Normative employment incentives	5,500.0	9,774.8	8,500.0	16,250.1	11,000.0	3,200.0
Reimbursement of contribution discount	5,800.0	5,147.7	6,000.0	4,784.1	6,000.0	5,000.0
Pre-financing of 2014–2020 labour market programmes						10,000.0
2. Vocational training and adult training subsidies	33,091.1	27,921.1	23,483.0	16,516.0	27,500.0	26,400.0
4. Expenditure on passive measures						
Unemployment benefits (job seekers' assistance)	134,800.0	124,543.2	57,000.0	64,067.2	59,000.0	56,000.0
Transfer to Pension Insurance Fund	681.3	1,221.5	1,700.0	907.0	361.9	313.9
5. Wage guarantee payments	7,000.0	5,363.0	6,000.0	6,606.6	6,000.0	6,000.0
6. Operating costs	100.0	86.7	300.0	100.0	300.0	1,600.0
9. Technical expenses of debt release incurred upon equity		303.6				
13. Retention balance and risk management allocation	10,000.0		2,000.0		2,919.3	
15. Employers' supplemental support				5,222.9		
16. Sectoral support to the increase in the minimum wage					10,000.0	
Total expenditure	337,238.1	283,661.3	307,632.3	305,121.1	381,258.6	377,449.2
<b>Income</b>						
25. Income from the Social Renewal Operational Programme (SROP, TÁMOP) measures	30,588.1	26,247.6	41,065.2	42,827.3	39,000.0	46,000.0
26. Other income						
Territorial other income	800.0	734.2	830.0	559.0	850.0	750.0
Central other income	2,600.0	1,316.8	1,000.0	1,113.6	1,000.0	1,000.0
Vocational training and adult training other income	1,000.0	781.2	1,000.0	1,020.1	800.0	650.0
31. Vocational training contribution	49,000.0	49,415.5	52,700.0	80,352.5	54,814.6	57,071.1
33. Redemption of wage guarantee support	1,000.0	977.8	1,000.0	792.0	1,000.0	1,000.0
34. Technical income from debt release incurred upon equity		303.6				
35. Share of the health insurance and labour market contribution payable to the Labour Market Fund	187,700.0	186,596.3	119,900.0	127,096.6	120,133.3	125,041.5
36. Central budget support	64,000.0	64,000.0	50,000.0	71,273.8	20,000.0	
Share of the social contribution tax payable to the Labour Market Fund			73,630.0	67,284.5		
Contribution related to the Job Protection Act					91,542.7	95,936.7
Total income	337,238.1	330,373	341,125.2	392,319.4	329,140.6	327,449.3
Pending items <sup>b</sup>	550.0	202.0		270.3		
Changes in deposits		46,913.7	33,492.9	87,468.6	-52,118.0	-50,000.0
Total	337,238.1	330,596.9	341,125.2	393,040.4	381,258.6	377,449.3
Deflating by 3% per year at 2011 prices	337,238.1	330,596.9	331,189.6	381,592.5	359,372.8	345,419.6

<sup>a</sup> Including the expenditure on public works programmes in 2011 and the expenditure on the Start Employment Programme beyond 2011.

<sup>b</sup> In 2011 also including income from the European Globalisation Adjustment Fund.

<sup>c</sup> Including interim amendments of the budget.

Source: Act on the central state budget (plan) and the implementation of the central state budget of the related year, 153 779,8 in 2013 amended by the stipulations of Government Decisions 1507/2013. (VIII. 1.) and 1783/2013. (XI. 4.) (HUF 26 118 million extra funds allocated to public works programmes).

centres in the government offices, the operational costs were reallocated and taken from the Fund. As of 2011 public works programmes are financed from funds within the National Employment Fund. After the termination of the rehabilitation contribution the balance of the Fund is maintained by transfers from the central budget.

After the preparation in 2011, in the years 2012 and 2013 the focus was shifted from passive benefits – and to a lesser extent from active labour market programmes – to public works programmes. The proportions of expenses on public works programmes versus passive benefits measured before at the levels of 20:40 changed to the opposite by 2012, and the target is a proportion of 50:15. The change is significant: in parallel with the reduction of passive benefits the costs of public works programmes goes back to, or even beyond, the levels measured in 2010. Although the structure of the new programme is very much different from that of the 2010 programme, no major difference is observed in the results of the two programmes (*Mód*, 2013).

The significance of balanced finances for the National Employment Fund is marginal. The appearance of items related to budget subsidies, deposits, and later on transfers within the framework of the Job Protection Act all diminish the separated nature of the Fund. The Fund operates more and more as a regular budget heading of the state budget, so its existence facilitates the gathering of information by structuring items that are logically inter-related.

Previously we summed up how the expenses of the National Employment Fund should be complemented in order to obtain a realistic picture (see: *Busch, Cseres-Gergely and Neumann*, 2013), but it turned out that by using the available data most corrections cannot be made in a methodologically appropriate manner. As a consequence, we corrected only the expenses of EU-(co)funded projects, more specifically of Priorities 1 and 2 of the Social Renewal Operational Programme, with the costs actually incurred. Fact-based data show that the correction entails an increase of HUF 10 billion (approx. EUR 32,258 thousand) on a yearly basis, which is a significant amount, but it has no major impact on the conclusions drawn.

As part of the European Semester the European Council examined the national reform programme of Hungary for the year 2013 and made a number of so called country-specific recommendations, including employment policy. The Europe 2020 growth programme of the European Union for the period 2010–2020 is implemented in the form of yearly cycles called European Semester. The European Commission publishes the annual growth report at the beginning of the given year (for the first time on 12 January 2011), on the basis of which member states submit their convergence and national reform programmes in April. In these programmes they respond to suggestions made in the report and also give an account of earlier results. Comparing these to the plans the Commission establishes its opinion which is then

*Country-specific recommendations – more attention to marginalized groups*

published in June in the form of country-specific recommendations. Member states are required to reflect on these recommendations in the programme for the following year.

The 2013 country-specific recommendations for Hungary (EC, 2013) list a number of recommendations related to employment policy, more specifically to taxation, active labour market programmes, public works programmes and the operation of the public employment service:

- “3. ... Continue making taxation of labour more employment-friendly by alleviating the tax burden on low wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by shifting taxation away to environmental taxes. ...
- 4. Address youth unemployment, for example through a Youth Guarantee (2). Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand child-care facilities to encourage women’s participation...” (EC, 2013, p. 7).

*Major regulations:* Act CXXX of 2009 on the 2010 central budget of Hungary; Act CLXIX of 2010 on the 2011 central budget of Hungary; Act CXXX-III of 2011 on the implementation of the 2010 central budget of Hungary; Act CLXXXVIII of 2011 on the 2012 central budget of Hungary; Government Decree 169/2011. (VIII. 24.) on the Employment and Public Works Database; Government Decree 248/2011. (XII. 1.) on the establishment of the Office for National Economic Planning; Government Decree 323/2011. (XII. 28.) on the roles and responsibilities of the National Labour Office and the bodies directed and professionally supervised by it.

*New regulations:* Act CLV of 2012 on the implementation of Act CLXIX of 2010 on the implementation of the 2011 central budget of Hungary; Act CCIV of 2012 on the 2013 central budget of Hungary; Act CXCI of 2013 on the implementation of Act CLXXXVIII of 2011 on the implementation of the 2012 central budget of Hungary; Act XLI of 2013 amending specific acts on social cooperatives and on public works programmes; Act CCXXX of 2013 on the 2014 central budget of Hungary; Government Decree 7/2013. (I. 18.) amending specific Government Decrees related to the Government Decree on the detailed rules of market supervisory activities; Government Decree 414/2012. (XII. 29.) amending specific Government Decrees related to the operation of the capital and county government offices; Government Decision 1426/2012. (X. 4.) on the approval of the special project no. TÁMOP 2.4.8-12/1 (entitled “Development of health and safety at work, development of labour inspection”) and its inclusion in the action plan; Gov-

ernment Decision 1507/2012. (XI. 16.) on the approval of the special project no. TIOP-3.2.1-12/1-2012-0001 (entitled “Establishment of an integrated system by developing the infrastructure of the public employment service”) and its inclusion in the action plan; Ministerial Decree 18/2013. (VI. 11.) of the Ministry for the Economy on the management and use of the National Employment Fund.

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